

**WELLINGTON CITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**WELLINGTON CITY  
BASIC FINANCIAL STATEMENTS  
TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b><u>PAGE</u></b>
<b><u>OPINION</u></b> Independent Auditors' Report	1-2
<b><u>MD&amp;A</u></b> Management's Discussion and Analysis	3-10
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
<b>Government-wide Financial Statements:</b>	
EXHIBIT 1      Statement of Net Assets	11
EXHIBIT 2      Statement of Activities	12
<b>Fund Financial Statements:</b>	
EXHIBIT 3      Balance Sheet - Governmental Funds	13
EXHIBIT 4      Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
EXHIBIT 5      Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
EXHIBIT 6      Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
EXHIBIT 7      Statement of Net Assets - Proprietary Funds	17-18
EXHIBIT 8      Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	19-20
EXHIBIT 9      Statement of Cash Flows - Proprietary Funds	21-22
Notes to the Financial Statements	23-46

**WELLINGTON CITY  
BASIC FINANCIAL STATEMENTS  
TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b><u>PAGE</u></b>
 <b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
EXHIBIT 10      Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	47-48
 <b><u>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</u></b>	
EXHIBIT 11      Combining Balance Sheet - Nonmajor Governmental Funds	49
EXHIBIT 12      Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	50
EXHIBIT 13      Combining Statement of Net Assets - Nonmajor Proprietary Funds	51
EXHIBIT 14      Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets - Nonmajor Proprietary Funds	52
 <b><u>REPORTS ACCORDING TO GOVERNMENT AUDITING STANDARDS</u></b>	
Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	53-54
 <b><u>SUPPLEMENTAL STATE COMPLIANCE</u></b>	
Auditors' Report on State Compliance for State Grants	55-56

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## MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
Wellington City  
Wellington, Utah 84542

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellington City, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wellington City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

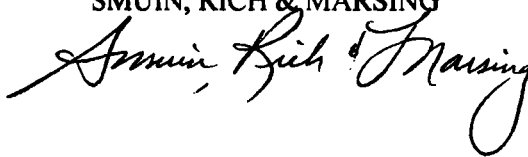
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellington City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated December 2, 2005, on our consideration of Wellington City's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 47 through 48, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wellington City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Wellington City. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Armin Rich Marsing". The signature is written in dark ink and is positioned below the printed name "SMUIN, RICH & MARSING".

Price, Utah

December 2, 2005

**WELLINGTON CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

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Our discussion and analysis of Wellington City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005.

**FINANCIAL HIGHLIGHTS**

- ❖ The City's net assets increased \$138,919 as a result of this year's operations. Net assets of our governmental activities decreased by \$30,023, which is a .72 percent decrease over last years and our net assets of our business-type activities increased by \$168,942, which is a 9.18 percent increase over last year.
- ❖ Total expenses of \$835,206 were \$540,104 more than the direct revenues received of \$295,102 for governmental activities.
- ❖ In the City's business-type activities, revenues of \$942,077 were \$168,942 more than the expenses of \$773,135 for these types of activities.
- ❖ Property Tax revenue for the year ended June 30, 2005 was \$109,119, Sales and Franchise Tax was \$411,790. Property Tax revenue decrease by \$15,547, while Sales and Franchise Tax increased by \$21,858 from the previous fiscal year.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 11-12) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

**REPORTING THE CITY AS A WHOLE**

Our analysis of the City as a whole begins on page 11. The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps determine if the City is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the City's financial position. Increases or decreases in the City's net assets are one indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, water lines, sewer lines, drainage systems, and other capital assets to assess the overall health of the City.

## REPORTING THE CITY AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental activities** - Most of the City's basic services are reported here, including the general and administration cost, contributions to other agencies, police, fire, public works, parks department and interest on long-term debt. Property taxes, franchise fees, fines, sales taxes and state and federal grants finance most of these activities.

**Business-type activities** - The City charges a fee to customers to help cover all or most of the cost of services it provides. The City's Municipal Building Authority, water and sewer, irrigation, garbage and recreational services are reported here.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City established other funds to help it control and manage money for particular purposes (special revenue and capital projects payments) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

**Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements or on a separate statement.

**Proprietary funds** – When the City charges customers for the services it provides – to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

### The City as Trustee

The City has not acted in a trustee capacity for the year ended June 30, 2005.

## Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The City's Statement of Net Assets, which increased during the current calendar year, presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. The government-wide financial statements include the City's activity and those of component units (Municipal Building Authority and Redevelopment Agency). The analysis shown below, focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Current and other assets	\$ 466,776	\$ 678,265	\$ 69,678	\$ 72,758	\$ 536,454	\$ 751,023
Capital assets	5,605,059	5,751,456	4,968,137	4,938,967	10,573,196	10,690,423
Total assets	\$ 6,071,835	\$ 6,429,721	\$ 5,037,815	\$ 5,011,725	\$ 11,109,650	\$ 11,441,446
Long-term debt						
outstanding	\$ 1,779,219	\$ 1,858,500	\$ 2,593,887	\$ 2,678,155	\$ 4,373,106	\$ 4,536,655
Other liabilities	138,290	386,872	430,037	492,428	568,327	879,300
Total liabilities	\$ 1,917,509	\$ 2,245,372	\$ 3,023,924	\$ 3,170,583	\$ 4,941,433	\$ 5,415,955
Net assets:						
Invested in capital assets, net of debt	\$ 3,838,466	\$ 3,887,185	\$ 2,380,875	\$ 2,248,670	\$ 6,219,341	\$ 6,135,855
Restricted for:						
Class "C" road	55,097	64,380			55,097	64,380
Cemetery	1,514				1,514	
Redevelopment agency	7,559	7,559			7,559	7,559
Debt Service			3,807		3,807	
Unrestricted	251,690	225,225	(374,598)	(407,528)	(122,908)	(182,303)
Total net assets	\$ 4,154,326	\$ 4,184,349	\$ 2,010,084	\$ 1,841,142	\$ 6,164,410	\$ 6,025,491

Net Assets of the City's governmental activities decreased by .72 percent (\$4,184,349 compared to \$4,154,326). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$251,690 at the end of June 30, 2005.



## Government-wide financial statements (Continued)

Net Assets of our business-type activities increased 9.18 percent (\$1,841,142 compared to \$2,010,084). Unrestricted net assets for this group, amount to (\$374,598). If the City had unrestricted net assets they would be used to finance the continuing operations of the municipal building authority, water and sewer, irrigation, garbage and recreational service funds.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 158,325	\$ 158,167	\$ 752,786	\$ 658,056	\$ 911,111	\$ 816,223
Operating grants and cont.	75,851	81,928			75,851	81,928
Capital grants and cont.	60,926	245,000	146,900	444,272	207,826	689,272
<b>General Revenues:</b>						
Property taxes	109,119	124,666			109,119	124,666
Sales and franchise taxes	411,790	389,932			411,790	389,932
Other general revenue	1,370	947	38,391	38,756	39,761	39,703
Total revenues	\$ 817,381	\$ 1,000,640	\$ 938,077	\$ 1,141,084	\$ 1,755,458	\$ 2,141,724
<b>Program Expenses</b>						
General government	\$ 231,932	\$ 210,262			\$ 231,932	\$ 210,262
Public safety	331,190	314,542			331,190	314,542
Highways and public improv.	197,348	192,399			197,348	192,399
Parks and recreation	33,798	34,168			33,798	34,168
Economic development	2,000	2,000			2,000	2,000
Capital outlay	1,144				1,144	
Interest on long-term debt	37,794	34,464			37,794	34,464
Municipal building authority			\$ 75,229	\$ 76,414	75,229	76,414
Water and sewer			492,715	570,960	492,715	570,960
Irrigation			146,518	134,373	146,518	134,373
Sanitation			51,490	50,990	51,490	50,990
Recreation			7,183	5,930	7,183	5,930
Total expenses	\$ 835,206	\$ 787,835	\$ 773,135	\$ 838,667	\$ 1,608,341	\$ 1,626,502
<b>Excess (deficiency) before transfers and special items</b>						
	\$ (17,825)	\$ 212,805	\$ 164,942	\$ 302,417	\$ 147,117	\$ 515,222

**Table 2**  
**(Continued)**  
**Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2005	2004	2005	2004	2005	2004
Excess (deficiency) before transfers and special items	\$ (17,825)	\$ 212,805	\$ 164,942	\$ 302,417	\$ 147,117	\$ 515,222
Loss on sale of assets	(8,198)				(8,198)	
Transfers in (out)	(4,000)	(5,000)	4,000	5,000		
Change in net assets	<u>\$ (30,023)</u>	<u>\$ 207,805</u>	<u>\$ 168,942</u>	<u>\$ 307,417</u>	<u>\$ 138,919</u>	<u>\$ 515,222</u>
Net Assets - beginning	\$ 4,184,349	\$ 3,976,544	\$ 1,841,142	\$ 1,501,743	\$ 6,025,491	\$ 5,478,287
Prior period adjustment				31,982		31,982
Net Assets - ending	<u>4,154,326</u>	<u>4,184,349</u>	<u>2,010,084</u>	<u>1,841,142</u>	<u>6,164,410</u>	<u>6,025,491</u>
Change in net assets	<u>\$ (30,023)</u>	<u>\$ 207,805</u>	<u>\$ 168,942</u>	<u>\$ 307,417</u>	<u>\$ 138,919</u>	<u>\$ 515,222</u>

The City's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the City and those who are served by the City's operations. As revenues increase, the funds will be used to make necessary improvements in government operations, road and recreation improvements, utility improvements and purchase of supplies and equipment that are appropriate and beneficial.

#### **Governmental Activities**

Revenues for the City's governmental type activities, decreased \$183,259, an 18.31 percent decrease. Total expenses using these funds increased \$54,569, an increase of 6.89 percent. The largest decrease in revenue was in grant proceeds compared with the prior years. The largest increase in expenditures occurred in general government. The largest sources of funds are Sales and Franchise taxes and charges for services. These revenues, and other special grants, enabled the City the opportunity to purchase a variety of fire and police equipment as well as other improvements. An overall decrease in the revenues of approximately 18.31 percent compared to an increase of approximately 6.89 percent in expenditures has caused the decrease in net assets for governmental activities of \$30,023 in the 2005 fiscal year.

The cost of all governmental activities this year was \$847,404. As shown in the Statement of Activities on page 12, Sales and franchise tax revenue, government grants and property taxes paid for the majority of these activities. Class "C" road revenue of \$65,163 helped pay 33.02 percent of the Highway and public improvements costs. Overall, the City's governmental program revenues of \$295,102 paid 35.33 percent of the governmental activities expenditures.

## **Governmental Activities (Continued)**

Costs of the City are centered within several programs—General government, Public safety, Highways and public improvements, Parks and recreation, Community Economic Development, Capital outlay, and interest on long-term debt. The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Property taxes, Sales and franchise taxes and government grants.

### **Business-type Activities**

Program revenues of the City's business-type activities decreased 17.79 percent (\$938,077 compared to \$1,141,084) while expenses decreased 7.81 percent (\$773,135 compared to \$838,667). The major changes for the business-type activities, is a decrease in grant proceeds in comparison to the prior year. The fund operating revenues in the proprietary funds increased \$94,730, an increase of 14.40 percent over last year. This increase is primarily due to the additional water revenue the City received as a result of the increase in water rates.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City revised their budget once. The original budget was adopted on June 9, 2004 and was adjusted on June 22, 2005. The general fund budget was amended from \$827,300 to \$806,600. The differences in the original budget and final amended budget are summarized as follows: 1) decrease in revenue from general sales tax (\$8,400), increase in revenue from franchise tax (\$12,700), a decrease in cell phone tax (\$200), a decrease in revenue from licenses and permits (\$800), a decrease in intergovernmental revenue (\$48,900), an increase in fines and forfeitures (\$10,500), an increase in use of fund surplus (\$12,700), an increase in investment earnings of (\$100), and an increase in miscellaneous revenue of (\$1,600), 2) an increase in expenditures for General government (\$9,250), increase in expenditures for Public safety (\$68,850), an increase in expenditures for Highways and public improvements (\$7,700), increase in expenditures for Parks, recreation, and public property (\$2,900) and a decrease in other financing uses of (\$109,400).

The actual charges for expenditures were \$798,826. This was \$7,774 below the final budget amounts. The most significant positive variance (\$5,055) occurred in the general government.

Resources for revenues were \$814,612. This was \$20,712 below the final budgeted amount. The most significant positive variance (\$21,369) occurred in general sales and use taxes.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of June 30, 2005, the City had \$10,573,196 invested in a broad range of capital assets, including water stock, land, buildings, improvements other than buildings, machinery and equipment, and infrastructure (see Table 3 below). This amount represents a net decrease (including additions and deletions) of \$117,227, or a 1.10 percent decrease over the previous year.

# **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

## **Capital Assets (Continued)**

**Table 3**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**  
**June 30, 2005**

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Primary</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>Government</b>	<b>2004</b>
Water stock			\$ 951,927	\$ 951,927	\$ 951,927	\$ 951,927
Land	\$ 142,520	\$ 142,520	11,000	11,000	153,520	153,520
Buildings	133,633	142,096	423,686	403,212	557,319	545,308
Improvements other than buildings	11,963	13,218	3,576,129	3,568,073	3,588,092	3,581,291
Machinery and equipment	469,088	450,592	5,395	4,755	474,483	455,347
Infrastructure	4,847,855	5,003,030			4,847,855	5,003,030
Total capital assets	<u>\$ 5,605,059</u>	<u>\$ 5,751,456</u>	<u>\$ 4,968,137</u>	<u>\$ 4,938,967</u>	<u>\$ 10,573,196</u>	<u>\$ 10,690,423</u>

## **This year's major additions included:**

Capital improvements - Park restrooms	\$ 17,889
Paid for with City funds	
Water line improvements	152,048
Paid for with grant proceeds from the CIB	
Eleven SCBA's	38,214
Paid for with grant proceeds from FEMA	
Thermal imager	8,600
Paid for with grant proceeds from FEMA	
Fire fighting unit	8,040
Paid for with grant proceeds from Utah Fire & Rescue Academy Grant	
	<u>\$ 224,791</u>

The City's fiscal year 2006 capital budget calls for spending on capital projects, principally for improvements made to the infrastructure and purchases of necessary equipment. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

## CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

### Long-term debt

As of June 30, 2005, the City had \$4,336,648 in bonds, and note payable outstanding. The debt represents revenue bonds secured solely by specified revenue sources. The following table (table 4) shows outstanding debt for the current and previous years.

Table 4  
Outstanding Debt as of  
June 30, 2005

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2005	2004	2005	2004	2005	2004
Revenue bonds payable	\$ 1,761,000	\$ 1,858,500	\$ 2,575,648	\$ 2,678,155	\$ 4,336,648	\$ 4,536,655

There has been no new debt issued during the current fiscal year. The City has issued \$200,000 in Taxable Lease Revenue Bonds, Series 2005, to construct restrooms and concession facilities at the city park during the fiscal year 2006. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

### ECONOMIC FORECAST AND FUTURE BUDGET

Wellington City's Mayor and Council consider many factors in preparing their annual budgets. The City's revenues have maintained a relative consistent level over the last few years showing little or no growth. The lack of growth has made it harder for the Mayor and City Council to maintain the level of service to the residents of the City. The rising cost of health benefits for the City's nine employees has been an increasing burden. The employees of the City have not received pay increases for the past three years. The Mayor and Council are committed to maintaining the level of benefits for the employees in order to keep the existing employees.

Wellington City experiences many of the same problems as other Eastern Utah communities with slow or negative economic activity. The General Fund budget is projected to be \$725,600, which is lower than the previous fiscal year due to a lack of anticipated grant activity.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Recorder, Ken Powell at 150 West Main Street, P.O. Box 559, Wellington, Utah 84542.

**WELLINGTON CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 250,223	\$ 12,393	\$ 262,616
Investments, at cost	20,059		20,059
Accounts receivable (net)		66,671	66,671
Taxes receivable	96,381		96,381
Internal balances	17,000	(17,000)	
Due from other governmental units	6,250		6,250
Prepaid expenses	20,252		20,252
Restricted assets:			
Investments	56,611	3,807	60,418
Capital assets (net of accumulated depreciation):			
Water stock		951,927	951,927
Land	142,520	11,000	153,520
Buildings	133,633	423,686	557,319
Improvements other than buildings	11,963	3,576,129	3,588,092
Equipment	469,088	5,395	474,483
Infrastructure	4,847,855		4,847,855
Total assets	<u>\$ 6,071,835</u>	<u>\$ 5,034,008</u>	<u>\$ 11,105,843</u>
<b><u>LIABILITIES</u></b>			
Cash deficit		\$ 268,411	\$ 268,411
Accounts payable	\$ 44,064	147,911	191,975
Accrued liabilities	633		633
Bond interest payable	5,593	11,615	17,208
Deferred revenue	88,000	2,100	90,100
Noncurrent liabilities:			
Customer deposits payable		14,700	14,700
Loan payable - Due within one year		1,243	1,243
Loan payable - Due in more than one year		10,734	10,734
Revenue bonds payable - Due within one year	98,500	101,982	200,482
Revenue bonds payable - Due in more than one year	1,662,500	2,461,689	4,124,189
Compensated absences	18,219	3,539	21,758
Total liabilities	<u>\$ 1,917,509</u>	<u>\$ 3,023,924</u>	<u>\$ 4,941,433</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 3,838,466	\$ 2,380,875	\$ 6,219,341
Restricted for:			
Class "C" Roads	55,097		55,097
Cemetery	1,514		1,514
Redevelopment Agency	7,559		7,559
Debt Service		3,807	3,807
Unrestricted	251,690	(374,598)	(122,908)
Total net assets	<u>\$ 4,154,326</u>	<u>\$ 2,010,084</u>	<u>\$ 6,164,410</u>

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
<b>FUNCTION/PROGRAMS</b>						
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 231,932	\$ 9,496			\$ (222,436)	\$ (222,436)
Public safety	331,190	142,335	\$ 10,688	\$ 60,926	(117,241)	(117,241)
Highways and public improvements	197,348		65,163		(132,185)	(132,185)
Parks and recreation	33,798	6,494			(27,304)	(27,304)
Economic development	2,000				(2,000)	(2,000)
Capital outlay	1,144				(1,144)	(1,144)
Interest on long-term debt	37,794				(37,794)	(37,794)
Total governmental activities	\$ 835,206	\$ 158,325	\$ 75,851	\$ 60,926	\$ (540,104)	\$ (540,104)
Business-type activities:						
Municipal building authority	\$ 75,229	\$ 90,609				\$ 15,380
Water and sewer fund	492,715	525,368		\$ 146,900		179,553
Irrigation fund	146,518	81,732				(64,786)
Sanitation fund	51,490	53,999				2,509
Recreation fund	7,183	1,078				(6,105)
Total business-type activities	\$ 773,135	\$ 752,786		\$ 146,900	\$ 126,551	\$ 126,551
<b>Total primary government</b>	<b>\$ 1,608,341</b>	<b>\$ 911,111</b>	<b>\$ 75,851</b>	<b>\$ 207,826</b>	<b>\$ (540,104)</b>	<b>\$ (413,553)</b>
General revenues:						
Property taxes				\$ 109,119		\$ 109,119
Sales and franchise taxes				411,790		411,790
Grants and contributions not restricted to specific programs					\$ 38,300	38,300
Unrestricted investment earnings				1,370	91	1,461
Loss on sale of capital assets				(8,198)		(8,198)
Transfers in (out)				(4,000)	4,000	
Total general revenues and transfers				\$ 510,081	\$ 42,391	\$ 552,472
Change in net assets						
Net assets - beginning				\$ (30,023)	\$ 168,942	\$ 138,919
Net assets - ending				4,184,349	1,841,142	6,025,491
				\$ 4,154,326	\$ 2,010,084	\$ 6,164,410

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 45,022	\$ 200,772	\$ 31,347	\$ 277,141
Investments at cost	10,035		10,024	20,059
Investments restricted	55,097		1,514	56,611
Receivables (net):				
Taxes	96,381			96,381
Due from other funds			17,000	17,000
Due from other governmental units	6,250			6,250
Prepaid expenses	20,252			20,252
<b>Total assets</b>	<b>\$ 233,037</b>	<b>\$ 200,772</b>	<b>\$ 59,885</b>	<b>\$ 493,694</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Cash deficit			\$ 26,918	\$ 26,918
Accounts payable	\$ 27,771		16,293	44,064
Accrued liabilities	633			633
Deferred revenue	88,000			88,000
<b>Total liabilities</b>	<b>\$ 116,404</b>	<b>\$ ...</b>	<b>\$ 43,211</b>	<b>\$ 159,615</b>
Fund balances:				
Reserved for:				
Class "C" Roads	\$ 55,097			\$ 55,097
Perpetual care			\$ 1,514	1,514
Redevelopment agency			7,559	7,559
Unreserved, reported in:				
General fund	61,536			61,536
Capital project fund			7,601	7,601
Debt service fund		\$ 200,772		200,772
<b>Total fund balances</b>	<b>\$ 116,633</b>	<b>\$ 200,772</b>	<b>\$ 16,674</b>	<b>\$ 334,079</b>
<b>Total liabilities and fund balances</b>	<b>\$ 233,037</b>	<b>\$ 200,772</b>	<b>\$ 59,885</b>	<b>\$ 493,694</b>

"The notes to the financial statements are an integral part of this statement."



**WELLINGTON CITY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total fund balances - governmental fund types: \$ 334,079

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	142,520	
Buildings		133,633	
Improvements other than buildings		11,963	
Equipment		469,088	
Infrastructure		<u>4,847,855</u>	5,605,059

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bond interest payable	\$	(5,593)	
Revenue bonds payable - current portion		(98,500)	
Revenue bonds payable - one year		(1,662,500)	
Compensated absences		<u>(18,219)</u>	<u>(1,784,812)</u>

Net assets of governmental activities \$ 4,154,326

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$ 520,909			\$ 520,909
Licenses and permits	6,676			6,676
Intergovernmental	136,777			136,777
Charges for services	26,489		\$ 6,494	32,983
Fines and forfeitures	113,891			113,891
Miscellaneous revenue	9,870		277	10,147
<b>Total revenues</b>	<b>\$ 814,612</b>	<b>\$ ...</b>	<b>\$ 6,771</b>	<b>\$ 821,383</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	\$ 213,345			\$ 213,345
Public safety	355,904			355,904
Highways and public improvements	41,762			41,762
Parks, recreation, and public property	18,115		\$ 12,294	30,409
Economic development	2,000			2,000
Capital outlay			19,033	19,033
<b>Debt service:</b>				
Principal retirement		\$ 97,500		97,500
Interest and fiscal charges		37,972		37,972
<b>Total expenditures</b>	<b>\$ 631,126</b>	<b>\$ 135,472</b>	<b>\$ 31,327</b>	<b>\$ 797,925</b>
<b>Excess revenues over (under) expenditures</b>	<b>\$ 183,486</b>	<b>\$ (135,472)</b>	<b>\$ (24,556)</b>	<b>\$ 23,458</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		\$ 158,700	\$ 5,000	\$ 163,700
Transfers out	\$ (167,700)			(167,700)
<b>Total other financing sources (uses)</b>	<b>\$ (167,700)</b>	<b>\$ 158,700</b>	<b>\$ 5,000</b>	<b>\$ (4,000)</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ 15,786</b>	<b>\$ 23,228</b>	<b>\$ (19,556)</b>	<b>\$ 19,458</b>
<b>FUND BALANCES - beginning of year</b>	<b>100,847</b>	<b>177,544</b>	<b>36,230</b>	<b>314,621</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 116,633</b>	<b>\$ 200,772</b>	<b>\$ 16,674</b>	<b>\$ 334,079</b>

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 19,458
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(134,197)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Principal debt payment)	97,500
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Bond interest payable, compensated absences and sales of capital assets).	<u>(12,784)</u>
Change in net assets of governmental activities	<u>\$ (30,023)</u>

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MUNICIPAL BUILDING AUTHORITY	WATER AND SEWER FUND	IRRIGATION FUND	NONMAJOR FUNDS	TOTAL
<u>ASSETS</u>					
Current assets:					
Cash				\$ 12,393	\$ 12,393
Investments restricted	\$ 2,501	\$ 1,306			3,807
Receivables - net					
Accounts		54,364	\$ 6,703	5,604	66,671
Total current assets	\$ 2,501	\$ 55,670	\$ 6,703	\$ 17,997	\$ 82,871
Noncurrent assets:					
Water stock		\$ 756,342	\$ 195,585		\$ 951,927
Land		11,000			11,000
Buildings	\$ 614,971	12,743			627,714
Improvements other than buildings		2,083,819	2,977,172		5,060,991
Machinery and equipment		204,568			204,568
Less: Accumulated depreciation	(191,795)	(1,282,220)	(414,048)		(1,888,063)
Total noncurrent assets	\$ 423,176	\$ 1,786,252	\$ 2,758,709	\$ ...	\$ 4,968,137
Total assets	\$ 425,677	\$ 1,841,922	\$ 2,765,412	\$ 17,997	\$ 5,051,008
<u>LIABILITIES</u>					
Current liabilities:					
Cash deficit	\$ 95,652	\$ 141,443	\$ 31,316		\$ 268,411
Accounts payable	950	135,950	6,668	\$ 4,343	147,911
Accrued interest payable	6,278		5,337		11,615
Due to other funds	17,000				17,000
Deferred revenue	2,100				2,100
Current portion - long-term debt	15,000	1,225	87,000		103,225
Total current liabilities	\$ 136,980	\$ 278,618	\$ 130,321	\$ 4,343	\$ 550,262

"The notes to the financial statements are an integral part of this statement."

WELLINGTON CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MUNICIPAL BUILDING AUTHORITY	WATER AND SEWER FUND	IRRIGATION FUND	NONMAJOR FUNDS	TOTAL
Noncurrent liabilities:					
Compensated absences		\$ 3,539			\$ 3,539
Customer deposits payable		14,700			14,700
Revenue bonds payable	\$ 264,000	10,753	\$ 2,197,670		2,472,423
Total noncurrent liabilities	\$ 264,000	\$ 28,992	\$ 2,197,670	\$ ...	\$ 2,490,662
Total liabilities	\$ 400,980	\$ 307,610	\$ 2,327,991	\$ 4,343	\$ 3,040,924
Net Assets:					
Invested in capital assets, net of related debt	\$ 137,898	\$ 1,774,275	\$ 468,702		\$ 2,380,875
Restricted	2,501	1,306			3,807
Unrestricted	(115,702)	(241,269)	(31,281)	\$ 13,654	(374,598)
Total net assets	\$ 24,697	\$ 1,534,312	\$ 437,421	\$ 13,654	\$ 2,010,084

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL
	MUNICIPAL BUILDING AUTHORITY	WATER AND SEWER FUND	IRRIGATION FUND	NONMAJOR FUNDS	
Operating revenues:					
Charges for sales and services	\$ 90,609	\$ 525,368	\$ 81,732	\$ 55,077	\$ 752,786
Total operating revenues	\$ 90,609	\$ 525,368	\$ 81,732	\$ 55,077	\$ 752,786
Operating expenses:					
Employee salaries	\$ 2,330	\$ 66,230	\$ 11,774		\$ 80,334
Employee benefits	1,735	44,545	9,016		55,296
Contractual services				\$ 58,673	58,673
Supplies	7,242	528			7,770
Utilities	31,115	1,498	3,608		36,221
Fuel and oil		4,166	2,058		6,224
Repairs and maintenance		25,646			25,646
Depreciation	17,470	56,110	90,217		163,797
Bad debts		1,932			1,932
Water and sewer services		255,939	5,961		261,900
Office supplies		3,865			3,865
Miscellaneous		2,836			2,836
Insurance	6,854	14,800			21,654
Rental		14,254			14,254
Total operating expenses	\$ 66,746	\$ 492,349	\$ 122,634	\$ 58,673	\$ 740,402
Operating income (loss)	\$ 23,863	\$ 33,019	\$ (40,902)	\$ (3,596)	\$ 12,384

"The notes to the financial statements are an integral part of this statement."

WELLINGTON CITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MUNICIPAL BUILDING AUTHORITY	WATER AND SEWER FUND	IRRIGATION FUND	NONMAJOR FUNDS	TOTAL
Nonoperating revenues (expenses):					
Interest revenue	\$ 55	\$ 36			\$ 91
Interest expense and fiscal charges	(8,483)	(366)	\$ (23,884)		(32,733)
Grants		146,900			146,900
Total nonoperating revenues (expenses)	\$ (8,428)	\$ 146,570	\$ (23,884)	\$ ...	\$ 114,258
Income (loss) before contributions and transfers	\$ 15,435	\$ 179,589	\$ (64,786)	\$ (3,596)	\$ 126,642
Contributions and Transfers In (Out):					
Contributions			\$ 38,300		\$ 38,300
Transfers in				\$ 4,000	4,000
Total contributions and transfers in (out)	\$ ...	\$ ...	\$ 38,300	\$ 4,000	\$ 42,300
Change in net assets	\$ 15,435	\$ 179,589	\$ (26,486)	\$ 404	\$ 168,942
Total net assets - beginning	9,262	1,354,723	463,907	13,250	1,841,142
Total net assets - ending	\$ 24,697	\$ 1,534,312	\$ 437,421	\$ 13,654	\$ 2,010,084

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	ENTERPRISE FUNDS				TOTAL
	MUNICIPAL BUILDING AUTHORITY	WATER AND SEWER FUND	IRRIGATION FUND	NON-MAJOR ENTERPRISE FUNDS	
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 90,609	\$ 514,052	\$ 83,500	\$ 54,865	\$ 743,026
Cash payments to suppliers	(46,272)	(345,788)	(5,068)	(58,603)	(455,731)
Cash payments to employees	(4,065)	(110,775)	(20,790)		(135,630)
Net cash provided (used) by operating activities	\$ 40,272	\$ 57,489	\$ 57,642	\$ (3,738)	\$ 151,665
Cash Flows From Noncapital Financing Activities:					
Contributions			\$ 38,300		\$ 38,300
Transfers from other funds				\$ 4,000	4,000
Net cash provided (used) by noncapital financing activities	\$ ...	\$ ...	\$ 38,300	\$ 4,000	\$ 42,300
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	\$ (38,454)	\$ (154,514)			\$ (192,968)
Interest paid on revenue bonds and loans	(8,820)	(365)	\$ (24,075)		(33,260)
Principal paid on revenue bonds and loans	(15,000)	(1,506)	(86,000)		(102,506)
Grants received		146,900			146,900
Net cash provided (used) by capital and related financing activities	\$ (62,274)	\$ (9,485)	\$ (110,075)	\$ ...	\$ (181,834)
Cash Flows From Investing Activities:					
Interest and dividends received	\$ 55	\$ 36	\$ ...	\$ ...	\$ 91
Net cash provided (used) by investing activities	\$ 55	\$ 36	\$ ...	\$ ...	\$ 91
Net increase (decrease) in cash and cash equivalents	\$ (21,947)	\$ 48,040	\$ (14,133)	\$ 262	\$ 12,222
Cash and cash equivalents, July 1	(71,204)	(188,177)	(17,183)	12,131	(264,433)
Cash and cash equivalents, June 30	\$ (93,151)	\$ (140,137)	\$ (31,316)	\$ 12,393	\$ (252,211)

"The notes to the financial statements are an integral part of this statement."



WELLINGTON CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	ENTERPRISE FUNDS				TOTAL
	MUNICIPAL BUILDING AUTHORITY	WATER AND SEWER FUND	IRRIGATION FUND	NON-MAJOR ENTERPRISE FUNDS	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 23,863	\$ 33,019	\$ (40,902)	\$ (3,596)	\$ 12,384
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	\$ 17,470	\$ 56,110	\$ 90,217		\$ 163,797
(Increase) Decrease in utility receivables		(11,316)	1,768		(9,548)
(Increase) Decrease in miscellaneous receivables				\$ (212)	(212)
Increase (Decrease) in accounts payable	(1,061)	(20,611)	6,559	70	(15,043)
Increase (Decrease) in compensated absences		437			437
Increase (Decrease) in customer deposits payable		(150)			(150)
Total adjustments	\$ 16,409	\$ 24,470	\$ 98,544	\$ (142)	\$ 139,281
Net cash provided (used) by operating activities	\$ 40,272	\$ 57,489	\$ 57,642	\$ (3,738)	\$ 151,665

"The notes to the financial statements are an integral part of this statement."

**WELLINGTON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

Wellington City (the City) is a municipal corporation governed by an elected mayor and five-member council. The City provides the following services: public safety, highways and public improvements, parks and recreation, economic development, and general administrative services. In addition, the City owns and operates culinary water, sewer and secondary systems.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the City's activities, including infrastructure (roads, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**A. Reporting Entity**

The accompanying financial statements include the City, which is a political subdivision with corporate powers created under Utah State law, and one blended component unit, collectively referred to as the financial reporting entity. The governing body is comprised of the council and the mayor. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

B. **Component Units**

In evaluating how to define the reporting entity, the City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Component units are separate legal entities for which the City is considered to be financially accountable.

The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board's (GASB) Statement No. 14. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the city to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the City.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, was implemented by the City for fiscal year ended June 30, 2004. Statement 39, an amendment of Statement No. 14, provides additional criteria in determining whether certain legally separate organizations, for which the City is not financially accountable, should be reported as component units based upon the nature and significance of their relationship with the City. An organization is reported as a component unit of the City, if all three of the following criteria are met: 1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, 2) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and 3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

There were no potential component units, which met all of the criteria outlined in Statement 39; however, there are two entities that qualified as a "blended component units" under Statement 14.

**Blended Component Unit**

The Wellington City Redevelopment Agency is included in this report as the Redevelopment Agency (RDA), a special revenue fund, which is a component unit blended in the City's financial statements. Although the RDA is clearly established as a separate entity under state law, it is included due to financial accountability and the extensive oversight provided by the City. It is comprised of a governing body that has been appointed by the City and may be removed and replaced at their discretion.

The Wellington City Municipal Building Authority was created by the City Council as a body politic and corporate for the purpose of financing, owning, leasing, or operating facilities to meet the needs of the City government. It is comprised of a governing body that has been appointed by the City Council and may be removed or replaced at any time according to its discretion.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activity) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

- General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.
- Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related cost.

The City's non-major governmental funds include a special revenue fund, a permanent fund and a capital projects fund. The special revenue fund accounts for specific revenue sources that are legally restricted to expenditure, for specified purposes. The permanent fund is used to account for the resources that are legally restricted for the use of the perpetual care of the City's cemetery. The capital projects fund accounts for financial resources to be used for the acquisition of equipment and construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The City reports the following major proprietary funds:

- Municipal Building Authority – The Municipal Building Authority Fund accounts for the resources for the financing, owning, leasing and operation of facilities to meet the needs of the City government.
- Water and Sewer Fund - The Water and Sewer Fund accounts for the resources and expenditures in the operating and maintain of providing water and sewer services to the resident of the City.
- Irrigation Fund – The Irrigation Funds accounts for the resources and expenditures in the operating and maintain of providing secondary water services to the residents of Wellington City.

The City's non-major enterprise funds include a sanitation fund which accounts for the resources and expenditures associated with the collection and disposal of garbage within the city and a recreation fund which accounts for the resources used in the operation of recreational activities within the City.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

**E. Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During May of each year, the Mayor submits to the City Council a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
- 2) Copies of the proposed budget are made available for public inspection and review by the citizens of the City.
- 3) If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**E. Budgetary Data (Continued)**

- 4) Once adopted, the budget can be amended by subsequent City Council action. The City Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- 5) Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2005, have been included in the final budget approved by the City Council, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

**F. Cash and Cash Equivalents**

The City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

**G. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**H. Capital Assets**

Capital assets, which include land, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), and water stock, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$500.00 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

H. **Capital Assets (Continued)**

Buildings, improvements, equipment, and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-50
Office equipment	5-10
Machinery and equipment	5-10
Automotive equipment	5-20
Infrastructure	30-50

I. **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused sick pay, vacation and other employee benefits. An estimate of sick leave liability and vacation pay is accrued when incurred in the government-wide financial statements and proprietary funds and reported as a liability. Vacation, comp-time, and every tenth sick day leave vests.

Accrued unpaid sick pay, vacation and other employee benefits, which vest to the employees in the government-wide financial statements for governmental activities total \$18,219 and for proprietary funds total \$3,539.

J. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. **Net Assets/Fund Balances**

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.



## 2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) in handling its depository and investment transactions. The City does not have separate policies that address the specific types of deposit and investment risks to which the City is exposed.

### **Deposits**

#### *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires the depositing of City funds in a *qualified depository*. The Act defines a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The City's deposits at June 30, 2005, were \$67,135. Of these deposits, all were insured, but uncollateralized.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. This Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments.

## 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees – of the PTIF are allocated based on the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund	\$ 80,477	\$ 80,477			
Total Investments	<u>\$ 80,477</u>	<u>\$ 80,477</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its risk in part by investing in the Utah Public Treasurers Investment Fund. The City also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. This further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

## 2. DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2005, the City had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	\$ 80,477				\$ 80,477
Total Investments	\$ 80,477	\$ ...	\$ ...	\$ ...	\$ 80,477

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, the City had \$80,477 invested in the Public Treasurer's Investment Fund and was held by them.

## 3. RESTRICTED CASH/NET ASSETS

During prior years, the City issued four irrigation water revenue bonds, one taxable excise tax revenue bond and one franchise and sales tax revenue bond. The purpose of these bonds were for the construction of a pressurized irrigation water system and for roads, curb and gutters and sidewalk improvements within the City limits. In connection with the bond agreements, the City has established bond sinking and bond reserve funds. These funds are to assure that adequate money is available to service debt payments as they come due. Reserved amounts are shown below, along with other restricted funds.

### 3. RESTRICTED CASH/NET ASSETS (Continued)

	<u>CASH</u>	<u>NET ASSETS</u>
<u>Enterprise Funds</u>		
Sinking funds	\$ 1,306	\$ 1,306
Reserve accounts	2,501	2,501
	<u>\$ 3,807</u>	<u>\$ 3,807</u>
<u>Governmental Funds</u>		
Class "C" Roads	\$ 55,097	\$ 55,097
Perpetual care	1,514	1,514
Redevelopment Agency		7,559
	<u>\$ 56,611</u>	<u>\$ 64,170</u>

### 4. PROPERTY TAXES

The property tax revenue of the City is collected and distributed by the Carbon County Treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2005, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2004 and earlier and 2) taxes assessed as of January 1, 2005, but are not due and payable until November 30, 2005. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee, are distributed by the county to each taxing entity in which, the property is located in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fees as revenues when collected by the county.

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 142,520</u>			<u>\$ 142,520</u>
 Total capital assets not being depreciated	 <u>\$ 142,520</u>	 <u>\$ ...</u>	 <u>\$ ...</u>	 <u>\$ 142,520</u>
 Capital assets being depreciated:				
Buildings	\$ 328,076	\$ 17,889	\$ 25,684	\$ 320,281
Improvements other than buildings	32,596			32,596
Machinery and equipment	866,667	63,090	4,000	925,757
Infrastructure	<u>6,236,870</u>			<u>6,236,870</u>
 Total capital assets being depreciated:	 <u>\$ 7,464,209</u>	 <u>\$ 80,979</u>	 <u>\$ 29,684</u>	 <u>\$ 7,515,504</u>
 Less accumulated depreciation for:				
Buildings	\$ 185,980	\$ 14,152	\$ 13,484	\$ 186,648
Improvements other than buildings	19,378	1,255		20,633
Machinery and equipment	416,075	44,594	4,000	456,669
Infrastructure	<u>1,233,840</u>	<u>155,175</u>		<u>1,389,015</u>
 Total accumulated depreciation	 <u>\$ 1,855,273</u>	 <u>\$ 215,176</u>	 <u>\$ 17,484</u>	 <u>\$ 2,052,965</u>
 Total capital assets being depreciated, net	 <u>\$ 5,608,936</u>	 <u>\$ (134,197)</u>	 <u>\$ 12,200</u>	 <u>\$ 5,462,539</u>
 Governmental activities capital assets, net	 <u><u>\$ 5,751,456</u></u>	 <u><u>\$ (134,197)</u></u>	 <u><u>\$ 12,200</u></u>	 <u><u>\$ 5,605,059</u></u>

5. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 11,000			\$ 11,000
Water stock	<u>951,927</u>			<u>951,927</u>
Total capital assets not being depreciated	<u>\$ 962,927</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 962,927</u>
Capital assets being depreciated:				
Buildings	\$ 589,260	\$ 38,454		\$ 627,714
Improvements other than buildings	4,908,943	152,048		5,060,991
Machinery and equipment	<u>202,102</u>	<u>2,466</u>		<u>204,568</u>
Total capital assets being depreciated:	<u>\$ 5,700,305</u>	<u>\$ 192,968</u>	<u>\$ ...</u>	<u>\$ 5,893,273</u>
Less accumulated depreciation for:				
Buildings	\$ 186,048	\$ 17,980		\$ 204,028
Improvements other than buildings	1,340,870	143,992		1,484,862
Machinery and equipment	<u>197,347</u>	<u>1,826</u>		<u>199,173</u>
Total accumulated depreciation	<u>\$ 1,724,265</u>	<u>\$ 163,798</u>	<u>\$ ...</u>	<u>\$ 1,888,063</u>
Total capital assets being depreciated, net	<u>\$ 3,976,040</u>	<u>\$ 29,170</u>	<u>\$ ...</u>	<u>\$ 4,005,210</u>
Business-type activities capital assets, net	<u>\$ 4,938,967</u>	<u>\$ 29,170</u>	<u>\$ ...</u>	<u>\$ 4,968,137</u>

5. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 18,600
Public safety	37,601
Highways and public improvements	155,586
Parks and recreation	<u>3,389</u>
Total depreciation expense - governmental activities	<u>\$ 215,176</u>
Business-type Activities:	
Municipal Building Authority	\$ 17,470
Water and sewer	56,110
Irrigation	<u>90,217</u>
Total depreciation expense - business-type activities	<u>\$ 163,797</u>
Total depreciation expense	<u><u>\$ 378,973</u></u>

6. **PENSION PLANS**

Local Governmental – Cost Sharing

Plan Description. Wellington City contributes to the Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with (without) Social Security coverage, which are all for cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement systems (Systems). Utah Retirement systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

## 6. PENSION PLANS (Continued)

**Funding Policy.** For plan members in the Local Governmental Noncontributory Retirement System, Wellington City is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage contributory division Wellington City is required to contribute 19.08% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Wellington City's contributions to the Noncontributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$20,125, \$17,055 and \$14,766 respectively and for the Public Safety Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$22,835, \$18,988 and \$16,418 respectively. The contributions were equal to the required contributions for each year.

## DEFERRED COMPENSATION PLAN

401(k) Plan – The employees of Wellington City also participated in a 401(k) deferred compensation plan. The Cities contributions in behalf of its employees for the years ending June 30, 2005, 2004 and 2003 were \$5,693, \$2,662 and \$5,921 respectively.

## 7. LONG-TERM DEBT

Annual debt service requirements to maturity for revenue bonds and loans payable are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 98,500	\$ 32,925	\$ 131,425	\$ 103,225	\$ 30,364	\$ 133,589
2007	99,500	31,850	131,350	125,295	29,075	154,370
2008	100,500	30,750	131,250	126,367	27,542	153,909
2009	101,500	29,625	131,125	127,444	25,995	153,439
2010-2014	473,000	130,125	603,125	660,647	105,900	766,547
2014-2019	283,000	97,175	380,175	698,000	64,485	762,485
2020-2024	319,000	60,050	379,050	616,670	24,027	640,697
2025-2029	286,000	18,075	304,075	118,000	1,180	119,180
	<u>\$1,761,000</u>	<u>\$ 430,575</u>	<u>\$2,191,575</u>	<u>\$2,575,648</u>	<u>\$ 308,568</u>	<u>\$ 2,884,216</u>



7. **LONG-TERM DEBT (Continued)**

**Revenue Bonds** – Revenue bonds and loans payable at June 30, 2005, with their outstanding balances, are comprised of the following individual issues:

**Governmental Activities:**

\$1,400,000 Sales Tax Revenue Bonds, Series 2001B, due in annual principal installments of \$41,000 to \$74,000 beginning September 1, 2003 through September 1, 2011, interest of 2.50% per annum.	\$ 1,317,000
\$555,000 Excise Tax Revenue Bonds, Series 2001A, due in annual principal installments of \$55,500 beginning September 1, 2003 through September 1, 2011, interest of 0.00% per annum.	<u>444,000</u>
Total Governmental Activities	<u>\$ 1,761,000</u>

**Business-type Activities:**

\$1,700,000 Irrigation Water Revenue Bonds, Series 1999A, due in annual principal installments of \$68,000 to \$108,670, beginning April 1, 2001, through April 1, 2020, interest of 1.00% per annum.	\$ 1,374,671
\$200,000 Irrigation Water Revenue Bonds, Series 1999B, due in annual principal installments of \$10,000 beginning April 1, 2001, through April 1, 2020, interest of 0.00% per annum.	150,000
\$400,000 Irrigation Water Revenue Bonds, Series 2000, due in annual principal installments of \$78,000 to \$82,000, beginning April 1, 2021, through April 1, 2025, interest of 1.00% per annum.	400,000
\$400,000 Irrigation Water Revenue Bonds, Series 2000A, due in annual principal installments of \$8,000 to \$36,000, beginning April 1, 2001, through April 1, 2025, interest of 1.00% per annum.	360,000
\$23,542 General Electric Loan, due in annual principal installments of \$1,872, beginning August 1, 1997, through August 1, 2013, interest of 5.50% per annum.	11,977
\$480,000 CIB Lease Revenue Bonds, Series 1994, due in annual principal installments of \$14,000 to \$23,000, beginning October 1, 1995, through October 1, 2019 at a 3.00% per annum.	<u>279,000</u>
Total Business-type Activities	<u>\$ 2,575,648</u>

7. **LONG-TERM DEBT (Continued)**

Revenue bonds issued for governmental activities were used for the construction and improvement of roads, curb and gutters and sidewalks within the City limits. All revenue bonds issued for business-type activities were used for the construction, repair, and maintenance of real estate of the Municipal Building Authority, water lines within the City and the City's secondary irrigation system.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Revenue bonds - CIB	\$ 1,858,500		\$ (97,500)	\$ 1,761,000	\$ 98,500
Compensated absences	17,457	\$ 762		18,219	
Governmental activity long-term liabilities	<u>\$ 1,875,957</u>	<u>\$ 762</u>	<u>\$ (97,500)</u>	<u>\$ 1,779,219</u>	<u>\$ 98,500</u>
<b>Business-type activities:</b>					
Bonds and Loans payable:					
Loan payable	\$ 13,484		\$ (1,507)	\$ 11,977	\$ 1,243
Revenue bonds	2,664,671		(101,000)	2,563,671	101,982
Compensated absences	3,102	\$ 437		3,539	
Business-type activity long-term liabilities	<u>\$ 2,681,257</u>	<u>\$ 437</u>	<u>\$ (102,507)</u>	<u>\$ 2,579,187</u>	<u>\$ 103,225</u>

8. **CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

According to its attorney, the City has no pending lawsuits and notice of claims filed against it as of June 30, 2005.

**9. REDEVELOPMENT AGENCY**

On February 13, 2002, Wellington City adopted Resolution No. 2002-01, which created the Wellington City Economic Development and Redevelopment Agency (Agency), pursuant to Utah Code Annotated Section 174B-4-101. The geographic boundaries of the Agency are coterminous with the boundaries of Wellington City. The purposes of the Agency is to: (1) promote the creation and/or retention of public and/or private jobs within Wellington through planning, design, development, construction, rehabilitation, business relocation, or any combination of these within part or all of one or more project areas; and the provision of office, industrial manufacturing warehousing, distribution, parking, public, or other facilities, or other improvements that benefit Wellington City; and (2) undertake development activities, including,; planning design, development, demolition, clearance, construction, rehabilitation, or any combination of these, of part or all of a project area.

During the year ended June 30, 2005, the City did not receive any tax increment revenue for the Wellington City Redevelopment Agency, nor did they make any disbursements out of the redevelopment agency. Currently, the Redevelopment Agency has no outstanding bonds or loans.

The Agency's Board is comprised of the members of the City Council of Wellington City, State of Utah, as presently or hereinafter constituted.

During the fiscal year ended June 30, 2005, the Redevelopment Agency did not acquire any property.

**10. PROPERTY TAX CALENDAR**

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of July 1. The taxes are payable to the County treasurer by the end of November and are remitted to the City by the county treasurer as collected.

**11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City issued revenue bonds in the Water and Sewer Fund for the purpose of constructing and repairing the culinary water distributions systems. Both the Water and Sewer departments are accounted for in a single fund. The City also operates a Municipal Building Authority, which has made improvements or purchased real property by issuing revenue bonds.

In addition, the City operates a secondary irrigation system, which has issued revenue bonds for the purpose of constructing and maintaining a pressurized irrigation system. Segment information is reported for these funds due to bond issues or because of material enterprise fund operating income or loss.

11. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

A summary of the financial statements for these enterprise funds is presented below:

**CONDENSED STATEMENT OF NET ASSETS**

	<u>Municipal Building Authority</u>	<u>Water and Sewer Fund</u>	<u>Irrigation Fund</u>
<b>Assets:</b>			
Current assets	\$ 2,501	\$ 55,670	\$ 6,703
Capital assets	<u>423,176</u>	<u>1,786,252</u>	<u>2,758,709</u>
Total assets	<u>\$ 425,677</u>	<u>\$ 1,841,922</u>	<u>\$ 2,765,412</u>
<b>Liabilities:</b>			
Current liabilities	\$ 136,980	\$ 278,618	\$ 130,321
Noncurrent liabilities	<u>264,000</u>	<u>28,992</u>	<u>2,197,670</u>
Total liabilities	<u>\$ 400,980</u>	<u>\$ 307,610</u>	<u>\$ 2,327,991</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 137,898	\$ 1,774,275	\$ 468,702
Restricted	2,501	1,306	
Unrestricted	<u>(115,702)</u>	<u>(241,269)</u>	<u>(31,281)</u>
Total net assets	<u>\$ 24,697</u>	<u>\$ 1,534,312</u>	<u>\$ 437,421</u>
<b>Capital assets:</b>			
Additions	\$ 38,454	\$ 154,514	\$ ...

11. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

	<u>Municipal Building Authority</u>	<u>Water and Sewer Fund</u>	<u>Irrigation Fund</u>
Operating revenues	\$ 90,609	\$ 525,368	\$ 81,732
Depreciation expense	(17,470)	(56,110)	(90,217)
Other operating expenses	<u>(49,276)</u>	<u>(436,239)</u>	<u>(32,417)</u>
Operating income (loss)	<u>\$ 23,863</u>	<u>\$ 33,019</u>	<u>\$ (40,902)</u>
Nonoperating revenue (expenses):			
Investment earnings	\$ 55	\$ 36	
Interest expense and fiscal charges	(8,483)	(366)	\$ (23,884)
Grants	<u></u>	<u>146,900</u>	<u></u>
Total nonoperating revenue (expenses)	<u>\$ (8,428)</u>	<u>\$ 146,570</u>	<u>\$ (23,884)</u>
Contributions and transfers			
Contributions	<u></u>	<u></u>	<u>\$ 38,300</u>
Total contributions and transfers	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 38,300</u>
Change in net assets	\$ 15,435	\$ 179,589	\$ (26,486)
Beginning net assets	<u>9,262</u>	<u>1,354,723</u>	<u>463,907</u>
Ending net assets	<u><u>\$ 24,697</u></u>	<u><u>\$ 1,534,312</u></u>	<u><u>\$ 437,421</u></u>

11. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Municipal Building Authority</u>	<u>Water and Sewer Fund</u>	<u>Irrigation Fund</u>
Operating revenues:			
Charges for services	\$ 90,609	\$ 525,368	\$ 81,732
Depreciation expense	(17,470)	(56,110)	(90,217)
Operating income (loss)	23,863	33,019	(40,902)
Contributions			38,300
Net income (loss)	15,435	179,589	(26,486)
Property, plant, and equipment:			
Additions	38,454	154,514	
Deletions			
Net working capital	(134,479)	(222,948)	(123,618)
Total assets	425,677	1,841,922	2,765,412
Bonds payable	279,000	11,978	2,284,670
Total equity	24,697	1,534,312	437,421

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:			
Operating activities	\$ 40,272	\$ 57,489	\$ 57,642
Noncapital financing activities			38,300
Capital and related financing activities	(62,274)	(9,485)	(110,075)
Investing activities	55	36	
Net increase (decrease)	\$ (21,947)	\$ 48,040	\$ (14,133)
Beginning cash and cash equivalents	(71,204)	(188,177)	(17,183)
Ending cash and cash equivalents	<u>\$ (93,151)</u>	<u>\$ (140,137)</u>	<u>\$ (31,316)</u>

12. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays a monthly premium to Utah Local Governments Trust for its health insurance coverage. The City is insured through commercial companies for its general liability coverage. At June 30, 2005, the City had no claims or judgments filed against it related to the risks mentioned above.

13. **RECEIVABLES**

Receivables as of June 30, 2005 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL FUND	WATER AND SEWER FUND	IRRIGATION FUND	NONMAJOR AND OTHER FUNDS	TOTAL
Receivables:					
Taxes	\$ 96,381				\$ 96,381
Accounts		\$ 67,128	\$ 6,703	\$ 5,604	79,435
Gross receivables	\$ 96,381	\$ 67,128	\$ 6,703	\$ 5,604	\$ 175,816
Less: allowance for uncollectible accounts		(12,764)			(12,764)
Net receivables	\$ 96,381	\$ 54,364	\$ 6,703	\$ 5,604	\$ 163,052

14. **INTERFUND BALANCES AND TRANSFERS**

Internal Balances – Included in Due to/Due from balances on the financial statements are individual fund receivables and payable balances at June 30, 2005 as follows:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
Perpetual Care Fund	\$ 17,000	
Building Authority Fund		\$ 17,000
Total internal balances	\$ 17,000	\$ 17,000

14. **INTERFUND BALANCES AND TRANSFERS (Continued)**

Transfers – Interfund transfers during the year ended June 30, 2005 were as follows:

TRANSFERS IN	TRANSFERS OUT	
	GENERAL FUND	TOTAL
Other Governmental:		
Debt Service	\$ 158,700	\$ 158,700
Cemetery Fund	5,000	5,000
Enterprise:		
Recreation	4,000	4,000
Totals	\$ 167,700	\$ 167,700

15. **WELLINGTON CANAL COMPANY PAYMENT**

In 1997, Wellington City and Wellington Canal Company desired to install and operate a secondary water system to benefit the residents of Wellington City and shareholders of the Wellington Canal Company. To accomplish the desire, Wellington Canal Company has received a \$3.935 million dollar grant and Wellington City received a \$500,000 grant and borrowed \$1.7 million dollars from the Utah Division of Water Resources. On February 2, 1998, Wellington City and Wellington Canal Company amended their original agreement. One of the elements of this amendment is that Wellington Canal Company agreed to pay Wellington City \$38,300 annually to pay part of the \$1.7 million dollar loan received from the Utah Division of Water Resources. These payments will continue for 20 years, which will be for the duration of the loan.

16. **OPERATING LEASE**

The City has entered into an operating lease with the Head Start Program for building and office space. On May 1, 1998, the Head Start Program (the Program) signed a lease agreement with the City to lease space at the cost of \$2,100 per month. The lease period started on May 1, 1998 and continues for ten years.

17. **BOND COVENANTS**

Over the past several years the City has issued revenue and lease revenue bonds to the Utah Board of Water Resources and to the State of Utah, Division of Finance. Included in the bond agreements were covenants made by the City, to set up bond sinking and reserve funds. These sinking and reserve funds were to receive monthly or quarterly deposits and were to grow to amounts so indicated in bond agreements. As of June 30, 2005, the City has not been making the required payments into these reserve and sinking funds.



**18. SUBSEQUENT EVENTS**

On August 25, 2005, Wellington City Municipal Building Authority issued \$200,000 of Taxable Lease Revenue Bonds, Series 2005 for the purpose of the constructing and improving the restrooms and concession facilities at the Wellington City Park. Principal payments are schedule to begin June 15, 2007 in the amount of \$8,000 and will continue through June 15, 2031. The bonds are zero percent interest bonds.

**WELLINGTON CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 115,000	\$ 115,000	\$ 109,119	\$ (5,881)
General sales and use tax	291,400	283,000	304,369	21,369
Franchise tax	93,000	105,700	107,421	1,721
Cell phone tax	200			
Licenses and permits	7,700	6,900	6,676	(224)
Intergovernmental	188,000	139,100	136,777	(2,323)
Charges for services	25,000	25,000	26,489	1,489
Fines and forfeitures	100,000	110,500	113,891	3,391
Investment earnings	1,000	1,100	1,093	(7)
Miscellaneous revenue	6,000	7,600	8,777	1,177
Total revenues	<u>\$ 827,300</u>	<u>\$ 793,900</u>	<u>\$ 814,612</u>	<u>\$ 20,712</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City Council	\$ 11,400	\$ 11,400	\$ 11,299	\$ 101
City Court	53,900	58,100	57,667	433
Recorder	60,250	64,900	64,617	283
Treasurer	12,500	12,400	12,186	214
Non-departmental	17,500	18,300	14,624	3,676
City Hall and buildings	53,600	53,300	52,952	348
Total general government	<u>\$ 209,150</u>	<u>\$ 218,400</u>	<u>\$ 213,345</u>	<u>\$ 5,055</u>
Public safety:				
Police	\$ 242,350	\$ 246,100	\$ 246,041	\$ 59
Fire	45,100	110,000	109,746	254
Traffic safety		200	117	83
Total public safety	<u>\$ 287,450</u>	<u>\$ 356,300</u>	<u>\$ 355,904</u>	<u>\$ 396</u>

**WELLINGTON CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
Highways and public improvements:				
Highways - general	\$ 11,000	\$ 11,000	\$ 10,617	\$ 383
Class "C" roads	23,700	31,400	31,145	255
Total highways and public improvements	\$ 34,700	\$ 42,400	\$ 41,762	\$ 638
Parks, recreation, and public property:				
Parks	\$ 12,000	\$ 15,700	\$ 15,671	\$ 29
Library	3,300	2,500	2,444	56
Total parks, recreation and public property	\$ 15,300	\$ 18,200	\$ 18,115	\$ 85
Economic development:				
Economic development	\$ 2,000	\$ 2,000	\$ 2,000	
Total economic development	\$ 2,000	\$ 2,000	\$ 2,000	\$ ...
Total expenditures	\$ 548,600	\$ 637,300	\$ 631,126	\$ 6,174
Excess of revenue over (under) expenditures	\$ 278,700	\$ 156,600	\$ 183,486	\$ 26,886
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ (278,700)	\$ (169,300)	\$ (167,700)	\$ 1,600
Total other financing sources (uses)	\$ (278,700)	\$ (169,300)	\$ (167,700)	\$ 1,600
Excess of revenues and other sources over (under) expenditures and other uses		\$ (12,700)	\$ 15,786	\$ 28,486
Fund balances - beginning of year	\$ 100,847	100,847	100,847	
Fund balances - end of year	\$ 100,847	\$ 88,147	\$ 116,633	\$ 28,486

**WELLINGTON CITY  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	PERMANENT FUNDS	CAPITAL PROJECTS FUNDS	SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	PERPETUAL CARE FUND	CAPITAL PROJECTS	REDEVELOP- MENT AGENCY	
<b><u>ASSETS</u></b>				
Cash and cash equivalents		\$ 23,788	\$ 7,559	\$ 31,347
Investments at cost	\$ 10,024			10,024
Investments - restricted	1,514			1,514
Due from other funds	17,000			17,000
Total assets	<u>\$ 28,538</u>	<u>\$ 23,788</u>	<u>\$ 7,559</u>	<u>\$ 59,885</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Cash deficit	\$ 26,918			\$ 26,918
Accounts payable	106	\$ 16,187		16,293
Total liabilities	<u>\$ 27,024</u>	<u>\$ 16,187</u>	<u>\$ ...</u>	<u>\$ 43,211</u>
Fund balances:				
Reserved, reported in:				
Special revenue funds			\$ 7,559	\$ 7,559
Capital project funds		\$ 7,601		7,601
Permanent funds	\$ 1,514			1,514
Total fund balances	<u>\$ 1,514</u>	<u>\$ 7,601</u>	<u>\$ 7,559</u>	<u>\$ 16,674</u>
Total liabilities and fund balance	<u>\$ 28,538</u>	<u>\$ 23,788</u>	<u>\$ 7,559</u>	<u>\$ 59,885</u>

**WELLINGTON CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	PERMANENT FUNDS	CAPITAL PROJECTS FUNDS	SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	PERPETUAL CARE FUND	CAPITAL PROJECTS	REDEVELOP- MENT AGENCY	
REVENUES:				
Charges for services	\$ 6,494			\$ 6,494
Investment earnings	277			277
Total revenues	\$ 6,771	\$ ...	\$ ...	\$ 6,771
EXPENDITURES:				
Parks, recreation, and public property	\$ 12,294			\$ 12,294
Capital outlay		\$ 19,033		19,033
Total expenditures	\$ 12,294	\$ 19,033	\$ ...	\$ 31,327
Excess of revenues over (under) expenditures	\$ (5,523)	\$ (19,033)	\$ ...	\$ (24,556)
Other financing sources (uses):				
Transfers in	\$ 5,000			\$ 5,000
Total other financing sources (uses)	\$ 5,000	\$ ...	\$ ...	\$ 5,000
Excess of revenues and other sources over (under) expenditures and other uses	\$ (523)	\$ (19,033)	\$ ...	\$ (19,556)
Fund Balances - Beginning of year	2,037	26,634	7,559	36,230
Fund Balances - End of year	\$ 1,514	\$ 7,601	\$ 7,559	\$ 16,674

**WELLINGTON CITY**  
**COMBINING STATEMENT OF NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS		
	SANITATION FUND	RECREATION FUND	TOTAL NONMAJOR BTA'S
<u><b>ASSETS</b></u>			
Current assets:			
Cash	\$ 10,976	\$ 1,417	\$ 12,393
Receivables - net miscellaneous	5,604		5,604
Total current assets	<u>\$ 16,580</u>	<u>\$ 1,417</u>	<u>\$ 17,997</u>
Total assets	<u>\$ 16,580</u>	<u>\$ 1,417</u>	<u>\$ 17,997</u>
<u><b>LIABILITIES</b></u>			
Current liabilities:			
Accounts payable	\$ 4,343		\$ 4,343
Total current liabilities	<u>\$ 4,343</u>	<u>\$ ...</u>	<u>\$ 4,343</u>
Total liabilities	<u>\$ 4,343</u>	<u>\$ ...</u>	<u>\$ 4,343</u>
Net Assets:			
Unrestricted	<u>\$ 12,237</u>	<u>\$ 1,417</u>	<u>\$ 13,654</u>
Total net assets	<u>\$ 12,237</u>	<u>\$ 1,417</u>	<u>\$ 13,654</u>

**WELLINGTON CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS		
	SANITATION FUND	RECREATION FUND	TOTAL NONMAJOR BTA'S
Operating revenues:			
Charges for sales and services	\$ 53,999	\$ 1,078	\$ 55,077
Total operating revenues	\$ 53,999	\$ 1,078	\$ 55,077
Operating expenses:			
Contractual services	\$ 51,490	\$ 7,183	\$ 58,673
Total operating expenses	\$ 51,490	\$ 7,183	\$ 58,673
OPERATING INCOME (LOSS)	\$ 2,509	\$ (6,105)	\$ (3,596)
Income (loss) before contributions and transfers	\$ 2,509	\$ (6,105)	\$ (3,596)
Transfers In (Out):			
Transfers in		\$ 4,000	\$ 4,000
Total transfers in (out)	\$ ...	\$ 4,000	\$ 4,000
Change in net assets	\$ 2,509	\$ (2,105)	\$ 404
Total net assets - beginning of year	9,728	3,522	13,250
Total net assets - end of year	\$ 12,237	\$ 1,417	\$ 13,654

# SMUIN, RICH & MARSING

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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Wellington City  
Wellington, Utah 84542

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements Per-  
formed in Accordance With Government  
Auditing Standards

We have audited the financial statements of Wellington City as of and for the year ended June 30, 2005, and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

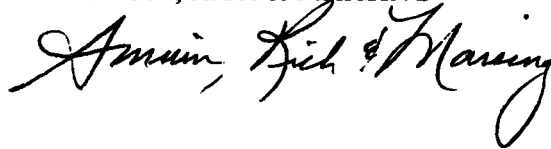
## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name of the firm.

Price, Utah

December 2, 2005

# SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Wellington City  
Wellington, Utah 84542

RE: Auditors' Report on State Compliance  
for State Grants

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellington City for the year ended June 30, 2005 and have issued our report thereon dated December 2, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class "C" Road (Utah Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)  
CIB Grant (Department of Community and Economic Development)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements. However, these programs were subject to test work as part of the audit of the City's financial statements.

Wild Land Grant (Utah Department of Natural Resources)  
Police Vest Grant (Utah Department of Public Safety)  
Police Grants (Utah Department of Public Safety)  
EMS Grant (Utah Department of Public Safety)  
Utah Fire and Rescue Academy Grant (Utah Department of Public Safety)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Justice Courts  
Other Compliance Requirements  
Liquor Law Enforcement

Budgetary Compliance  
Truth in Taxation and  
Property Tax Limitation  
Uniform Building Code Standards  
Impact Fees  
B & C Road Funds

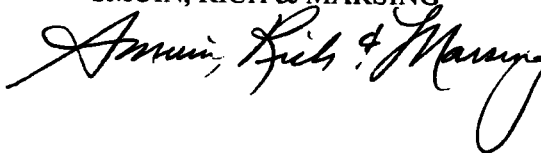
The management of Wellington City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Wellington City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", written over the printed firm name.

Price, Utah

December 2, 2005

# **SMUIN, RICH & MARSING**

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R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

## **MEMBERS**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Wellington City  
Wellington, Utah 84542

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Wellington City for the year ended June 30, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

### **Bond Covenants**

Over the past several years the City has issued revenue and lease revenue bonds to the Utah Board of Water Resources and to the State of Utah, Division of Finance. Included in the bond agreements were covenants made by the City. One of the provisions the City stipulated to was to set up bond sinking funds and bond reserve funds. These sinking and reserve funds were to receive monthly or quarterly deposits and were to grow to designated amounts. As of June 30, 2005, the City has not complied with the provisions to accumulate reserve funds as required by bond agreements.

We recommend the City make the necessary adjustments to the rates they charge for services so funds can be generated and deposited in the required sinking and reserve funds to meet bond covenants.

### **Required Reporting C-500**

Utah Code Section 51-4-2 requires that each City that has collected funds that are due to the State shall, on or before the tenth day of each month, pay all of those funds that were receipted during the last month.

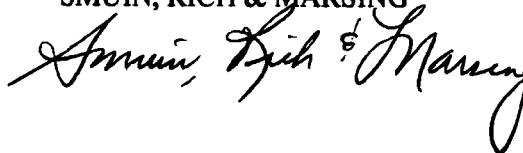
From examination of the C-500 reports, it was found that nine reports were not filed in a timely manner during the year. We recommend the City comply with Utah Code and file the C-500 reports within ten days after the close of the following month.

**SUMMARY**

We feel the State Compliance issues and accounting related items mentioned above are some areas where the City can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Ammin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name.

Price, Utah

December 22, 2005

MAYOR – Karl R. Housekeeper

CITY COUNCIL

Robert Bertola  
Ed Chavez  
Paula Noyes  
Johnny Pappas  
Glen Wells



CITY

*Incorporated 1907*

February 13, 2006

CITY RECORDER – Ken Powell  
TREASURER – Alicia Willson  
POLICE Chief – Lee R. Barry  
FIRE CHIEF – Scott R. Wiley  
JUSTICE COURT

Elayne Storrs – Judge  
Carol Sparks – Clerk

Smuin, Rich & Marsing  
Certified Public Accountants  
47 North First East  
Price, Utah 84501

Management Response for fiscal audit June 30, 2005.

Thank you for your comments and recommendations as a result of your examination of the city's financial statements for fiscal year 2005. The following is the city's response to your comments.

**Bond Covenants**

The City Council is aware that the City has not been able to keep its bond covenants for the sinking and reserve funds due to the lack of revenues generated by charges for services. The City Council adopted significant rate increases taking effect August, 2004 to remedy this situation. It is anticipated that these sinking and reserve funds will be in compliance with the bond covenants within the next year as promised in the Management Response to the fiscal audit of June 30, 2004. The City Council continues to monitor this situation in case additional rate increases will be needed.

**Required Reporting C-500**

The City Council has set policy whereby all vouchers are approved and signed by the City Council during their regular meetings. The City Council's regular meetings are held the second and fourth Wednesday of the every month. In 2005 there were four meetings that were held before the 10<sup>th</sup> of the month making it impossible under the current meeting schedule to meet the requirement of submitting the funds by the 10<sup>th</sup> of the month eight out of twelve months of the year. Until this matter can be resolved through the City Council the City can only promise to submit the funds the day following the first City Council meeting of each month.

Sincerely,

Karl R. Housekeeper, Mayor